

Telekomunikasi Indonesia Tbk (TLKM)

Upaya Stabilisasi Kinerja

Company Report | Oct 9, 2018

Menghadapi Masa Transisi

Upaya stabilisasi pendapatan TLKM setelah mencatatkan rapor merah merupakan pekerjaan rumah yang cukup besar. Pada 2Q18, pendapatan, EBITDA margin, dan *net income margin* turun 3%, 25,6%, dan 45,3% y-y.

Adanya transisi ke teknologi digital turut mengubah struktur pendapatan perusahaan. Pada 4 kuartal terakhir, kontribusi pendapatan dari segmen telepon yang konsisten turun menjadi 33,9%, 31,5%, 30%, dan 28,1%. Sementara itu, **kontribusi pendapatan segmen data, internet, dan jasa IT tercatat naik** menjadi 46,5%, 41,3%, 49,5%, dan 52,5%.

Menyadari transisi ini, TLKM terus **berinvestasi membangun infrastruktur** seperti Satelit Merah Putih, sistem kabel bawah laut Indonesia Global Gateway (ICG), dan 14.978 BTS (+20% y-y) pada periode 1H18. TLKM berharap investasi infrastruktur tersebut akan menyumbang pendapatan positif. Selain itu, TLKM juga **menaikan harga paket data sebesar 4%-11%**.

Perubahan Struktur Beban

Transisi kontribusi pendapatan turut mengubah komposisi beban TLKM. **Beban operasi, pemeliharaan & jasa telekomunikasi (OM expense) pada 1H18 meningkat 19% y-y dan setara dengan 34% dari total pendapatan.** Transisi ini pun mengakibatkan tren penurunan margin EBITDA dari 50% pada FY17 menjadi 47% pada FY18E, diperkirakan bertahan hingga ke depan.

Target Harga Rp4.700

Kami memprediksi bahwa TLKM tetap mampu bertumbuh apabila pertumbuhan bisnis digital mampu mengimbangi penurunan pendapatan bisnis *legacy* (suara dan pesan singkat) TLKM. Kami menggunakan estimasi forward P/E sebesar 17,3x untuk memperoleh target harga pada Desember 2019. Target harga ini mengimplikasikan P/E 2019E sebesar 19,1x. Saat ini, TLKM diperdagangkan pada P/E 2018E sebesar 16,7x.

Telekomunikasi Indonesia Tbk | Summary (IDR bn)

	2017	2018E	2019F	2020F
Sales	128,256	134,807	149,039	167,069
<i>Sales growth</i>	10.2%	5.1%	10.6%	12.1%
EBITDA	64,609	63,642	70,398	79,030
Net Profit	22,145	20,829	24,335	26,964
EPS (IDR)	220	210	246	272
<i>EPS growth</i>	14.4%	-5.9%	16.8%	10.8%
BVPS (IDR)	1,112	1,208	1,363	1,511
EBITDA margin	50.4%	47.2%	47.2%	47.3%
NPM	17.3%	15.5%	16.3%	16.1%
ROE	20.3%	18.0%	19.1%	18.9%
ROA	11.2%	11.7%	10.1%	10.8%
ROIC	22.8%	19.4%	19.9%	20.5%
P/E	20.2x	16.7x	14.3x	12.9x
P/BV	4.0x	2.9x	2.6x	2.3x
EV/EBITDA	7.4x	6.1x	5.5x	5.0x
DPS (IDR)	115	168	126	147
<i>Dividend yield</i>	2.6%	4.8%	3.6%	4.2%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2019 TP (IDR)	4,700
Consensus Price (IDR)	4,123
TP to Consensus Price	+14.0%
vs. Last Price	+33.5%

Shares data

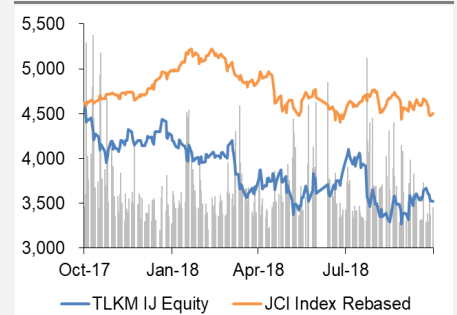
Last Price (IDR)	3,520
Price date as of	Oct 8, 2018
52 wk range (Hi/Lo)	4,660 / 3,270
Free float (%)	47.9
Outstanding sh.(mn)	99,062
Market Cap (IDR bn)	348,699
Market Cap (USD mn)	22,857
Avg. Trd Vol - 3M (mn)	104.86
Avg. Trd Val - 3M (bn)	376.40
Foreign Ownership	29.3%

Infrastructure

Telecommunication

Bloomberg	TLKM.IJ
Reuters	TLKM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-20.7%	3.8%	-8.8%	-23.8%
Rel. Ret.	-18.4%	5.4%	-10.0%	-21.2%

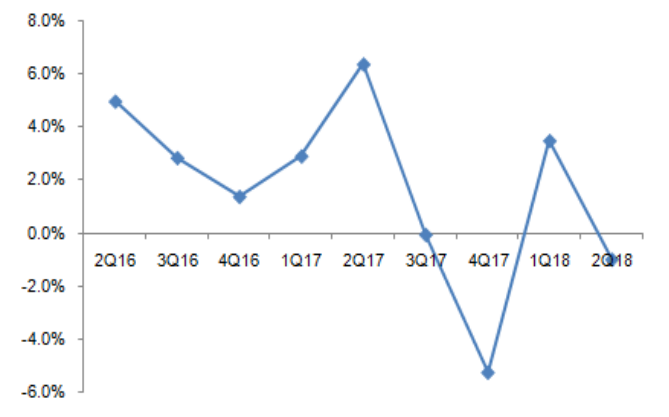
Selvi Ocktaviani

+62 21 797 6202, ext:125

selvi.oktaviani@nhsec.co.id

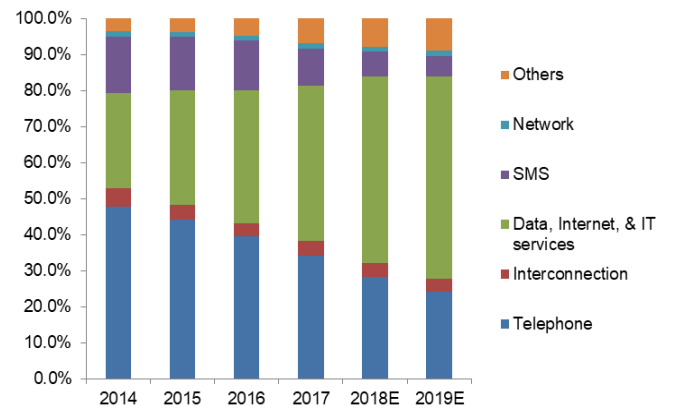
Performance Highlights

TLKM Sales Growth (q-q) | 2Q16 - 2Q18



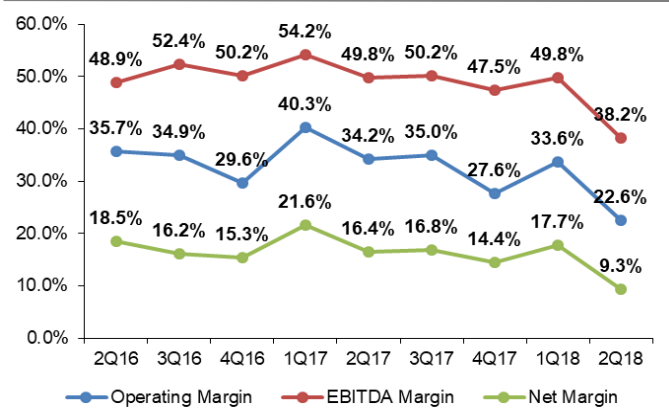
Source: Company, NHKS Research

Sales Breakdown | 2014—2019E



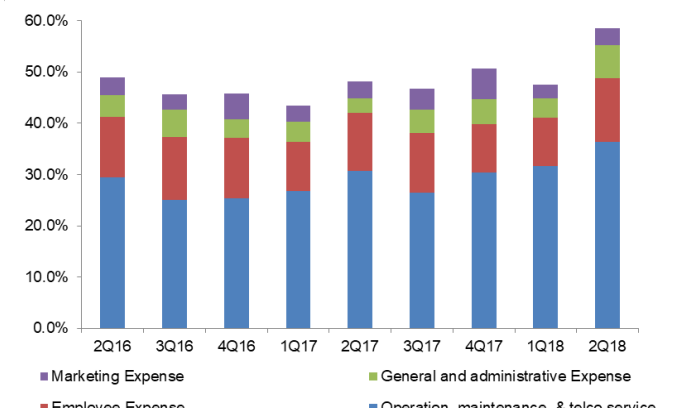
Source: Company, NHKS Research

Quarterly Margin Ratios | 2Q16 - 2Q18



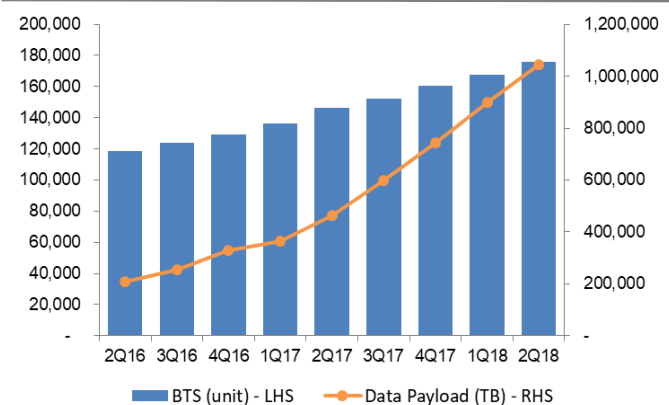
Source: Company, NHKS Research

Portion Expense to Revenue | 2Q16 - 2Q18



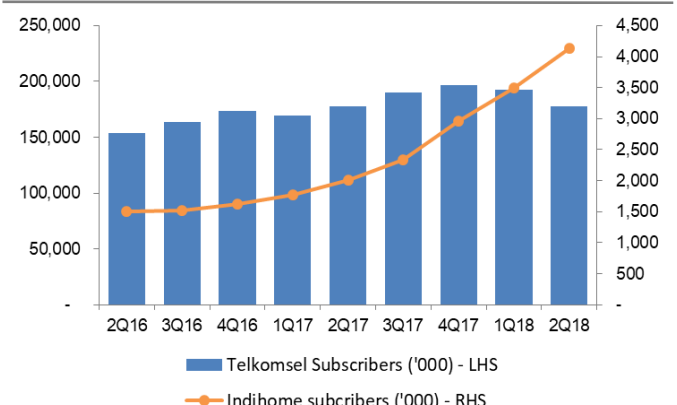
Source: Company, NHKS Research

Infrastructure BTS and Data Payload | 2Q16 - 2Q18



Source: Company, NHKS Research

Telkomsel and Indihome Subscribers | 2Q16 - 2Q18



Source: Company, NHKS Research

2Q18 review (IDR bn)

	2Q17	3Q17	4Q17	1Q18	2Q18			3Q18E
					Actual	y-y	q-q	
Sales	32,999	32,982	31,253	32,343	32,025	-3.0%	-1.0%	34,179
Gross Profit	22,206	23,275	21,188	21,271	19,359	-12.8%	-9.0%	23,111
<i>Gross Margin</i>	67.3%	70.6%	67.8%	65.8%	60.4%	-6.8%	-5.3%	67.6%
EBIT	11,295	11,535	8,612	10,878	7,222	-36.1%	-33.6%	11,694
<i>EBIT Margin</i>	34.2%	35.0%	27.6%	33.6%	22.6%	-11.7%	-11.1%	34.2%
EBITDA	16,426	16,544	14,830	16,116	12,227	-25.6%	-24.1%	17,020
<i>EBIT Margin</i>	49.8%	50.2%	47.5%	49.8%	38.2%	-11.6%	-11.6%	49.8%
Net Profit	5,416	5,548	4,493	5,734	2,964	-45.3%	-48.3%	5,867
<i>Net Margin</i>	16.4%	16.8%	14.4%	17.7%	9.3%	-7.2%	-8.5%	17.2%

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

		2018E	2019F	2020F
Sales	-Revised	134,807	149,039	167,069
	-Previous	137,732	148,627	165,889
	-Change	-2.1%	0.3%	0.7%
Gross Profit	-Revised	88,257	97,982	110,375
	-Previous	94,205	102,421	114,142
	-Change	-6.3%	-4.3%	-3.3%
Gross Margin	-Revised	65.5%	65.7%	66.1%
	-Previous	68.4%	68.9%	68.8%
EBIT	-Revised	42,141	46,878	53,606
	-Previous	44,929	49,358	55,383
	-Change	-6.2%	-5.0%	-3.2%
EBIT Margin	-Revised	31.3%	31.5%	32.1%
	-Previous	32.6%	33.2%	33.4%
EBITDA	-Revised	63,642	70,398	79,030
	-Previous	67,893	74,219	82,559
	-Change	-6.3%	-5.1%	-4.3%
EBITDA Margin	-Revised	47.2%	47.2%	47.3%
	-Previous	49.3%	49.9%	49.8%
Net Profit	-Revised	20,829	24,335	26,964
	-Previous	23,447	25,921	28,235
	-Change	-11.2%	-6.1%	-4.5%
Net Margin	-Revised	15.5%	16.3%	16.1%
	-Previous	17.0%	17.4%	17.0%

Source: NHKS research

Sekilas tentang TLKM

PT Telkom Indonesia (Persero) Tbk (Telkom) adalah Badan Usaha Milik Negara (BUMN) yang bergerak di bidang jasa teknologi informasi dan komunikasi (TIK) dan jaringan telekomunikasi di Indonesia. TLKM telah hadir sejak 1965, kemudian seiring dengan tumbuhnya teknologi seluler, pada 1995 TLKM mendirikan anak usahanya, yaitu Telkomsel dan meluncurkan Kartu Halo pascabayar pertamanya.

TLKM memiliki enam portofolio bisnis, yaitu bisnis *mobile* (*mobile voice*, SMS, *mobile broadband*); bisnis *fixed* (*fixed voice* dan *fixed broadband*, dengan *brand* IndiHome); bisnis *wholesale & international* (layanan interkoneksi, *network services*, *hubbing data center & content platform*, *data & internet* dan *solution*); bisnis infrastruktur jaringan (*network service*, satelit, infrastruktur dan *tower*); bisnis *enterprise digital* (layanan *information communication technology* (ITC)); dan bisnis konsumen digital (*digital payment* seperti TCASH, e-commerce-blanja.com, digital advertising, dan analytics).

Hingga Juni 2018, TLKM telah melayani 177,9 juta pelanggan di mana 134,7 juta pelanggan adalah pengguna data, sedangkan segmen pembayaran digital, TCASH memiliki jumlah pelanggan teregistrasi sekitar 27 juta. TLKM terus berupaya mencapai visinya sebagai “*the King of Digital in the Region*”.

Daya Saing TLKM di Asia Tenggara

TLKM merupakan pemimpin penyedia layanan telekomunikasi di Indonesia dan memiliki *market cap.* terbesar kedua di Asia Tenggara setelah Singtel Singapore. TLKM memiliki P/E dan ROE rata-rata di antara kompetitornya, menandakan TLKM masih dalam *track* yang positif. Selain itu, TLKM masih mampu mempertahankan margin laba bersih hingga *double digit* sebesar 14,6% di tengah perlambatan bisnisnya.

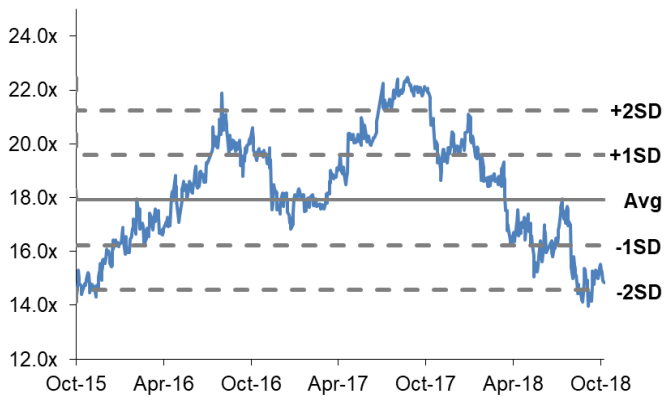
ASEAN Telecommunication Operators

Company	Market Cap. (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
TLKM	23,614	14,607	9,457	1,378	-12.96%	14.6%	22.1%	19.0x	4.1x
EXCL	2,001	4,145	1,691	11	-48.83%	0.7%	0.7%	206.9x	1.4x
ISAT	1,014	3,728	1,903	(25)	N/A	-1.3%	-2.6%	N/A	1.2x
Singapore									
Singtel	38,624	36,821	12,994	4,018	41.94%	30.9%	18.19%	9.8x	1.7x
Malaysia									
Maxis	10,989	4,740	2,173	519	1.59%	23.9%	30.56%	21.5x	6.4x
DiGi.Com	8,977	1,436	1,588	372	-1.93%	23.4%	255.67%	24.5x	55.3x
Axiata Group	10,122	17,214	5,913	(796)	N/A	-13.5%	-14.17%	N/A	2.1x
Thailand									
Advanced Info Service	18,297	8,721	5,025	963	11.85%	19.2%	62.13%	19.0x	10.6x
True Corp	6,243	14,286	5,193	443	N/A	8.5%	10.61%	14.0x	1.4x
Total Access Comm.	3,423	3,515	2,372	81	58.78%	3.4%	9.05%	41.8x	3.7x
Phillipine									
PLDT	5,579	9,190	3,173	168	-64.20%	5.3%	7.42%	35.3x	2.7x
Globe Telecom	5,424	5,556	2,781	333	13.99%	12.0%	25.65%	17.8x	4.5x

Source: Bloomberg

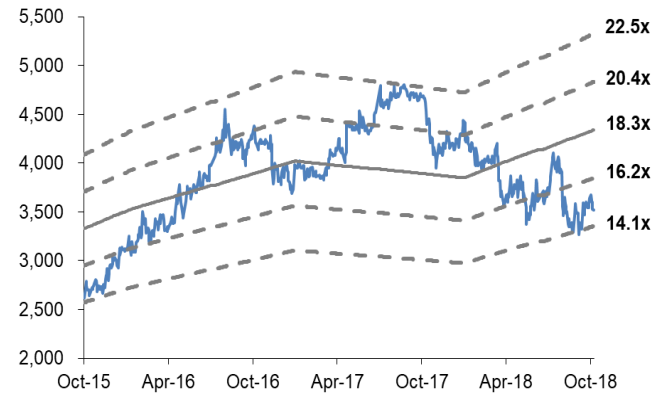
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

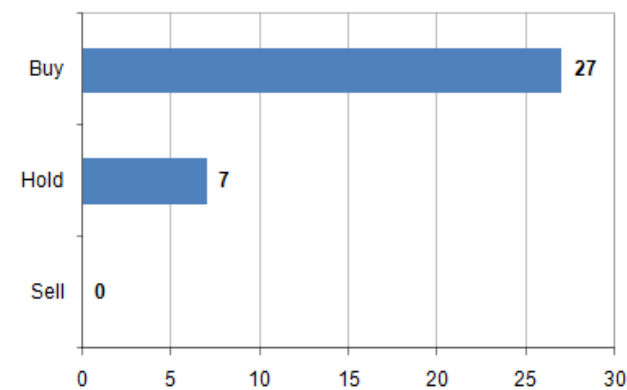
Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
03/28/2018	Buy	4,600 (Dec 2018)	3,560	4,591	29.2%	0.2%
10/08/2018	Buy	4,700 (Dec 2019)	3,520	4,123	+33.5%	+14%

Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E		2017/12A	2018/12E	2019/12E	2020/12E
Sales	128,256	134,807	149,039	167,069	ROE	20.3%	18.0%	19.1%	18.9%
<i>Growth</i>	10.2%	5.1%	10.6%	12.1%	ROA	11.2%	11.7%	10.1%	10.8%
COGS	(39,590)	(46,549)	(51,056)	(56,695)	ROIC	22.8%	19.4%	19.9%	20.5%
Gross Profit	88,666	88,257	97,982	110,375	Cash Dividend (IDR bn)	11,627	16,609	12,498	14,601
<i>Gross Margin</i>	69.1%	65.5%	65.7%	66.1%	Dividend Yield	2.6%	4.8%	3.6%	4.2%
Operating Expenses	(44,733)	(46,116)	(51,105)	(56,769)	Payout Ratio	60.1%	60.0%	60.0%	60.0%
EBIT	43,933	42,141	46,878	53,606	DER	31.6%	37.3%	34.0%	33.3%
<i>EBIT Margin</i>	34.3%	31.3%	31.5%	32.1%	Net Gearing	39.4%	47.3%	43.3%	42.1%
Depreciation	20,446	21,138	22,618	24,348	LT Debt to Equity	29.6%	32.1%	31.9%	30.8%
EBITDA	64,609	63,642	70,398	79,030	Capitalization Ratio	22.8%	24.3%	24.2%	23.6%
<i>EBITDA Margin</i>	50.4%	47.2%	47.2%	47.3%	Equity Ratio	56.5%	55.7%	57.3%	57.8%
Interest Expenses	(1,274)	(1,290)	(1,730)	(1,616)	Debt Ratio	17.9%	20.8%	19.5%	19.2%
EBT	42,659	40,852	45,148	51,990	Financial Leverage	173.7%	178.3%	176.9%	173.8%
Income Tax	(9,958)	(9,886)	(10,384)	(12,238)	Current Ratio	104.8%	123.1%	139.1%	154.7%
Minority Interest	(10,556)	(10,136)	(10,429)	(12,788)	Par Value (IDR)	50	50	50	50
Net Profit	22,145	20,829	24,335	26,964	Total Shares (mn)	100,800	99,062	99,062	99,062
<i>Growth</i>	14.4%	-5.9%	16.8%	10.8%	Share Price (IDR)	4,440	3,520	3,520	3,520
<i>Net Profit Margin</i>	17.3%	15.5%	16.3%	16.1%	Market Cap (IDR tn)	447.6	348.7	348.7	348.7

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E		2017/12A	2018/12E	2019/12E	2020/12E
Cash	25,145	30,378	31,656	34,355	Price /Earnings	20.2x	16.7x	14.3x	12.9x
Receivables	9,222	8,701	10,683	11,166	Price /Book Value	4.0x	2.9x	2.6x	2.3x
Inventories	631	545	552	568	Price/Sales	3.5x	2.6x	2.3x	2.1x
Total Current Assets	47,561	54,402	61,384	69,583	PE/EPS Growth	1.4x	-2.8x	0.9x	1.2x
Net Fixed Assets	130,171	142,458	155,090	169,777	EV/EBITDA	7.4x	6.1x	5.5x	5.0x
Other Non Current Asset	20,752	17,880	19,285	19,633	EV/EBIT	10.9x	9.2x	8.3x	7.3x
Total Assets	198,484	214,740	235,760	258,992	EV (IDR bn)	477,296	385,631	389,252	392,715
Payables	15,574	13,862	14,237	14,298	Sales CAGR (3-Yr)	12.7%	9.6%	8.6%	9.2%
ST Bank Loan	2,289	6,165	2,858	3,656	EPS CAGR (3-Yr)	15.2%	11.0%	8.6%	7.4%
LT Debt	33,183	38,411	43,075	46,134	Basic EPS (IDR)	220	210	246	272
Total Liabilities	86,354	95,074	100,722	109,281	Diluted EPS (IDR)	220	210	246	272
Capital Stock	5,040	5,040	5,040	5,040	BVPS (IDR)	1,112	1,208	1,363	1,511
Retained Earnings	84,896	89,116	100,953	113,317	Sales PS (IDR)	1,272	1,361	1,504	1,687
Shareholders' Equity	112,130	119,666	135,038	149,712	DPS (IDR)	115	168	126	147

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E	By Geography	% Shareholders	%	
Operating Cash Flow	49,405	37,691	41,917	45,815	Indonesia	70.7	Rep. of Indonesia	52.1
Investing Cash Flow	(33,007)	(28,269)	(33,034)	(34,682)	United States	16.9	Bank of New York	5.5
Financing Cash Flow	(21,052)	(4,190)	(7,605)	(8,434)	Luxembourg	4.8	Blackrock	1.7
Net Changes in Cash	(4,654)	5,233	1,278	2,699	Ireland	1.3	Vanguard Group Inc	1.7

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entity of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not suitable for all investors. Although the information here is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, respective employees, and agents disclaim any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents liable for errors, omissions, misstatements, negligence, inaccuracy arising herefrom.

All rights reserved by PT NH Korindo Securities Indonesia